

## Message Text

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PAGE 01 STATE 168260  
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APPROVED BY EA-JEFF BADER

S/S-O:DROBINSON

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FM SECSTATE WASHDC

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C O N F I D E N T I A L STATE 168260

EXDIS FOR ASSISTANT SECRETARY HOLBROOKE ONLY

FOLLOWING REPEAT TAIPEI 4176 ACTION SECSTATE JULY 1.

QUOTE C O N F I D E N T I A L TAIPEI 04176

EXDIS

E.O. 11652: GDS

TAGS : PEPR, EAID, TW

SUBJEC : SAFED AGREEMENT

REFS: (A) TAIPEI 03977, (B) TAIPEI 03988, (C) STATE 145041

1. ADCM MET WITH WANG MENG-HSIEN AND REPRESENTATIVSS OF JCRR AND CEPD JUNE 30 TO REVIEW SAFED AGREEMENT. ADCM STATED PURPOSE FOR WHICH EMBASSY HAD REQUESTED MEETING WAS TO ANNOUNCE USG INTENTION TO WITHDRAW FROM AGREEMENT EFFECTIVE 30 JUNE 1978. REASONS WHY USG WAS TAKING THIS ACTION WERE SUMMARIZED.

2. WANG COMMENTED THAT GROC WAS "VERY CONCERNED" AT USG  
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INTENTION TO WITHDRAW FROM AGREEMENT AND BEFORE WE TAKE ACTION WE SHOULD CONSIDER SERIOUSLY THE IMPLICATIONS AND CONSEQUENCES. FIRST, GROC DOES NOT UNDERSTAND HOW U.S. CAN UNILATERALLY WITHDRAW FROM AN AGREEMENT WHICH DOES NOT CONTAIN PROVISIONS FOR WITHDRAWAL BY EITHER CONTRACTING PARTY. THERE IS NO TERMINATION CLAUSE. ALL AGREEMENT PROVIDES IS THAT ARRANGEMENTS CONTAINED THEREIN MAY BE

REVIEWED AT REQUEST OF EITHER USG OR GROC. AS FAR AS GROC IS CONCERNED, THEREFORE, AGREEMENT SHOULD REMAIN IN FORCE UNTIL IT EXPIRES ON JUNE 30, 1980. SECOND, TERMINATION OF AGREEMENT NOW WILL CREATE SERIOUS INTERNAL PROBLEMS FOR GROC. FOR EXAMPLE, THE BASIC AGREEMENT PROVIDES FOR ALL UNDISBURSED FUNDS IN THE SAFED ACCOUNT TO BE CONSOLIDATED IN A SPECIAL ACCOUNT IN THE BANK OF TAIWAN. MANAGEMENT OF THE ACCOUNT IS ENTRUSTED TO THE SAFED MANAGING COMMITTEE, WHICH IS COMPOSED OF SELECTED FISCAL AND MONETARY AUTHORITIES IN THE GROC. THE COMMITTEE DISBURSES PAYMENTS ON LOANS STILL OUTSTANDING WITH THE U.S. AND APPROVES USE OF THE FUND TO FINANCE THE OPERATIONS OF JCRR, CEPD, THE TRANSPORTATION PLANNING BOARD, AND THE COMMITTEE ITSELF. IF THE AGREEMENT IS TERMINATED, THE COMMITTEE ALSO WILL BE TERMINATED, AND THERE IS NO OTHER LEGAL ENTITY TO TAKE ITS PLACE. SINCE THE SAFED ACCOUNT IS NOT UNDER THE CONTROL OF THE DIRECTORATE GENERAL OF BUDGET, ACCOUNTS AND STATISTICS, THERE WILL BE NO LEGAL BASIS FOR DISBURSING FUNDS FROM THE ACCOUNT IF THERE IS NO SAFED AGREEMENT. FINALLY, WITHOUT THE AGREEMENT THE ABILITY OF JCRR, CEPD, AND THE TRANSPORTATION PLANNING BOARD TO FUNCTION WILL BE SERIOUSLY IMPAIRED. THEIR SALARY STRUCTURE AND PERSONNEL SYSTEM ARE DIFFERENT THAN OTHER GROC ENTITIES. EVEN IF THE PROBLEM OF THE SAFED ACCOUNT IS RESOLVED, IT WILL TAKE TIME TO DETERMINE THEIR FUTURE STATUS WITHIN

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THE GROC BUREAUCRACY.

3.UBPVR ZQWOVC(7 TO WANG'S POINT THAT USG COULDN'T TERMINATE SAFED AGREEMENT SINCE NO PROVISION MADE FOR TERMINATION. REGARDING OTHER POINTS MADE BY WANG, ADCM STATED THAT USG CONSIDERS ADMINISTRATION OF SAFED ACCOUNT TO BE INTERNAL GROC MATTER. AGREEMENT OR NOT, FUNDS IN ACCOUNT WILL REMAIN UNDER GROC CONTROL AND IT IS UP TO GROC TO DECIDE HOW IT WISHES TO UTILIZE THEM. FUTURE STATUS OF JCRR, CEPD, AND TRANSPORTATION PLANNING BOARD ALSO IS GROC RESPONSIBILITY.

4. IN VIEW OF WANG'S COMMENTS, ADCM DID NOT SUGGEST THAT USG MIGHT BE WILLING TO DEFER TERMINATION OF AGREEMENT UNTIL DECEMBER 31, 1978, IF DEFERRAL WOULD BE OF USE TO GROC IN RESOLVING INTERNAL PROBLEMS. IT IS APPARENT THAT GROC IS ASSUMING THAT FUTURE STATUS OF AGREEMENT IS NEGOTIABLE AND THAT FINAL SOLUTION WILL BE A COMPROMISE BETWEEN USG POSITION OF IMMEDIATE WITHDRAWAL AND GROC POSITION OF KEEPING AGREEMENT IN FORCE UNTIL IT RUNS OUT IN JUNE 1980.

5. ADCM TOLD WANG THAT HE WOULD INFORM DEPARTMENT OF  
GROC POSITION AND THAT HE WOULD BE BACK IN TOUCH WITH  
WANG WHEN DEPARTMENT'S COMMENTS WERE RECEIVED. EMBASSY'S  
DETAILED COMMENTS AND SUGGESTIONS TO FOLLOW. UNGER  
UNQUOTE VANCE

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## Message Attributes

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